

## **PROGRESS IN 2004 TOWARD ATTAINING MONTANA PUBLIC SERVICE COMMISSION GOALS**

### **Process the NorthWestern Energy default electricity supply resource procurement plan.**

On January 29, 2004 NorthWestern Energy submitted its default electricity supply procurement plan to the PSC. NorthWestern Energy has a legal obligation to act as a default supplier. In that role NorthWestern Energy must procure an electricity supply to meet the needs of its current and future customers. The purpose of the procurement plan is to demonstrate, consistent with statutory and PSC guidelines, how NorthWestern Energy plans to meet this obligation. The PSC is required to review the plan, to provide an opportunity to the public to comment on the plan, and to issue written comments that identify concerns and ways to remedy them. The NorthWestern Energy plan can be reviewed at the offices of the PSC, 1701 Prospect Ave., Helena, MT, or at the offices of the Montana Consumer Counsel, 616 Helena Ave., Helena, MT. For the convenience of the general public, the plan can be accessed at a special web site created by NorthWestern Energy: [www.montanaenergyforum.com](http://www.montanaenergyforum.com). This site contains the complete plan, a guide to understanding the plan, a glossary, and a method of providing comments electronically to NorthWestern Energy on the plan. The PSC intends to issue comments on the plan by August, 2004.

### **Process applications for resources to complete the NorthWestern Energy default supply portfolio.**

The PSC intends to review applications for power supplies to fill NorthWestern Energy's default supply portfolio. It will be the responsibility of NorthWestern Energy to present the new resources for PSC consideration during 2004. The PSC intends to complete its review of the new resources presented by NorthWestern Energy by the end of 2004. Once the default supply portfolio is assembled, NorthWestern Energy needs to begin planning for the replacement of current base load contracts which are scheduled to expire in 2007.

### **Actively and effectively participate in the NorthWestern Corporation bankruptcy proceeding in order to obtain an outcome that will best serve the interests of Montana ratepayers.**

### **Implement changes in the telephone industry as provided for by federal and state laws, and to facilitate universal telecommunications service in Montana**

The following categories of dockets and specific cases or projects comprise the majority of the PSC's current and ongoing telecommunications workload to achieve its goals.

**EAS (Extended Area Service):**

The PSC has seven different EAS petitions currently under consideration (including one that is temporarily suspended). The PSC anticipates future EAS petition filings.

**ETC (Eligible Telecommunications Carrier):**

The eleven ETC petitions currently under consideration by the PSC were filed by: 3 Rivers Co-op, Interbel Co-op, Western Wireless, Triangle Telephone Co-op, Sagebrush Cellular, Inc., Cable & Communications Corporation (d/b/a Mid-Rivers Cellular) and Northern Communications Inc.

Last year the PSC filed comments with the Federal Communications Commission regarding the FCC's investigation of the ETC designation process and universal service fund portability. That FCC proceeding resulted in a Federal-State Universal Service Joint Board Recommended Decision that will likely impact the PSC's decisions on pending ETC petitions.

**Interconnection Agreements (IAs):**

Besides analyzing and processing numerous IAs as they are filed, the PSC is investigating the scope of Section 252 of the federal Telecommunications Act as it relates to PSC approval of IAs. The PSC has separately initiated efforts to make the review process for interconnection agreements more efficient. That process is being tested with recent Qwest IA filings.

**Number Pooling:**

Due to the high cost of implementing additional area codes, numerous efforts are pursued at the national and at the state level to delay the time when area code numbers are exhausted. The Montana PSC is involved in efforts to conserve telephone numbers and extend for as long as possible the date of exhaust of Montana's 406 area code.

**Triennial Review Order (TRO) Proceedings:**

The FCC's 2003 triennial review order requires state PSCs to review on an expedited basis issues related to certain unbundled network elements that incumbent local telephone companies must make available to their

local service competitors. The Montana PSC closed its pending TRO docket in January 2004 at Qwest's request.

### **Major Qwest Related Dockets:**

#### Ongoing Sec. 271 Compliance/D2003.4.45

The PSC will complete in 2004 its first review of Qwest's performance assurance plan. The review will include a PSC report concerning the wholesale operational issues between competitive local exchange carriers (CLECs) and Qwest that were raised in the first CLEC forum held in May 2003, and will incorporate the results of the multi-state collaborative process to review proposed changes, additions and deletions to Qwest's wholesale service performance measures. The PSC monitors Qwest's wholesale performance as reported by Qwest in monthly filings.

#### Qwest Wholesale/D2002.7.87

The PSC issued its final order in this wholesale cost docket in January 2004. That order reserves certain cost issues to a subsequent wholesale cost docket. A compliance tariff filing is under review.

#### Qwest Long Distance (QLD)/D2002.12.153 and Qwest Communications Corporation (QCC)/D2003.10.153

The QLD and QCC dockets establish rates, terms and conditions for interLATA toll service by Qwest's long distance affiliates, QLD and QCC. In February 2004 the PSC issued a final order in the QLD docket and granted interim approval of the QCC filing. A final order in the QCC docket is likely by summer 2004. There will be continued work in 2004 on the merging of Qwest's long distance affiliates tariffs.

#### Qwest Revenue Requirements/D2003.2.22

The PSC is investigating whether Qwest's rates are just and reasonable in light of the information in Qwest's recent annual reports that indicate the company's rate of return exceeds its authorized rate of return.

#### 272 Audit

PSC staff is participating in a joint federal and state oversight audit of Qwest pursuant to Section 272 of the federal Telecommunications Act. The audit will evaluate Qwest's compliance with the structural and non-discriminatory safeguards in Section 272.

#### Merger/Capital Expenditure

Staff is reviewing Qwest's capital expenditures for 2001 and 2002 for compliance with the PSC's order in the Qwest/US West merger docket, D99.8.200.

### **Rulemaking:**

The possible telecommunications-related rulemakings include: an eligible telecommunications carrier (ETC) rulemaking petition submitted by two telecommunications industry organizations and a comprehensive review and update of the PSC's telecommunications rules, focusing on service quality, interconnection, and appropriate level of CLEC regulation.

### **High Cost Funding Lawsuit:**

The PSC monitors closely the Federal-State Joint Board on Universal Service and FCC actions that involve universal service. The FCC has rendered decisions that impact the high-cost fund for Montana. The PSC has intervened in Qwest's petition in the 10th Circuit. The PSC will then file documents in support critical of the FCC's decisions.

### **Assist utility customers with their inquiries and complaints about service.**

In 2003 18,004 calls were received by staff at the consumer complaints toll-free number, a drop of 322 calls from 2002 or a 1.76% decrease. Out of those calls, we logged 2,188 complaints which required PSC consumer assistance staff to contact utility representatives in order to arrive at resolution, a drop of 442 complaints or a 16.81% decrease. From the Annual Report, you can see that Qwest's complaints dropped from 2002 to 2003, 344, a 37% decline.

### **Successfully administer the Natural Gas Pipeline Safety program.**

PSC staff made 17 pipeline safety inspections in 2003. We continue to make the necessary inspections, along with conducting Operator Qualification inspections. In 2003 staff will continue to work with the Master Meter Operators will complete some more necessary training through the Transportation Safety Institute.

### **Consider and process rate and service applications filed with the PSC.**

The PSC opened 98 utility dockets in 2003 that required contested case procedures. The PSC closed 59 dockets (including leftovers from previous years).

The PSC handled 81 utility filings such as telephone tariff revisions which required PSC review and action, but not formal case procedures.

**Process license applications for motor carriers, electric suppliers and natural gas suppliers as provided for by Montana law.**

In 2003 the PSC processed 22 license applications for motor carriers. We approved 2 new electric suppliers license, and 1 new natural gas suppliers license.

**Inspect rail equipment for conformity with federal standards.**

In 2003 19,770 rail units were inspected. Additional equipment was inspected while working with other certified inspectors who filed inspection reports.

**Activities of Commissioners**

**Commissioner Jergeson**

- NARUC Gas Committee
- NARUC Finance and Technology Committee
- Organization of MISO States, Board Member

**Commissioner Rowe**

- Triennial Review Implementation Task Force working on further implementation of the competition provisions of the '96 Federal Telecommunications Act
- Federal -State Joint Board on Universal Service
- Federal-State Joint Conference on Advanced Services
- NARUC, Past President
- NARUC Telecommunications Committee
- Regional Oversight Committee for Qwest
- Western Committee on Regional Electric Power Cooperation

**Commissioner Schneider**

- NARUC Energy Resources and the Environment Committee
- Western Committee on Regional Electric Power Cooperation.

**Commissioner Stovall**

- NARUC Electricity Committee
- Western Committee on Regional Electric Power Cooperation.